

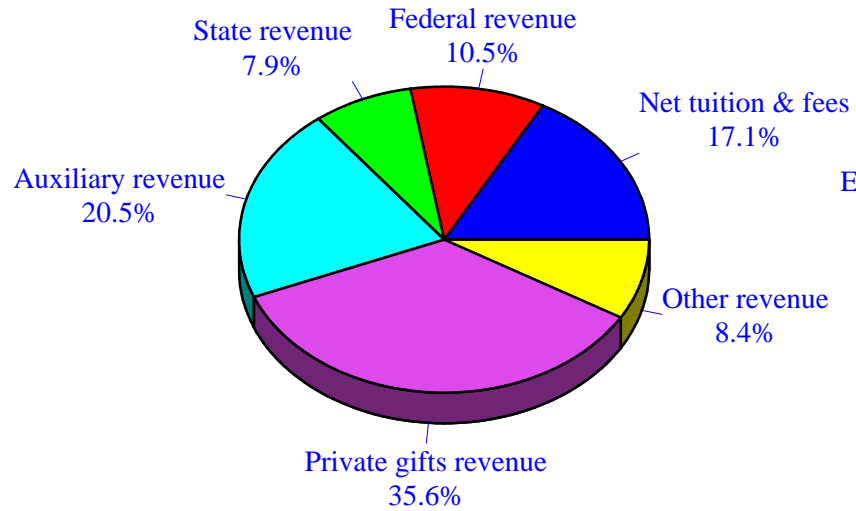
GREAT LAKES CHRISTIAN COLLEGE
REPORT ON FINANCIAL STATEMENTS
(with additional information)
YEARS ENDED JUNE 30, 2006 AND 2005

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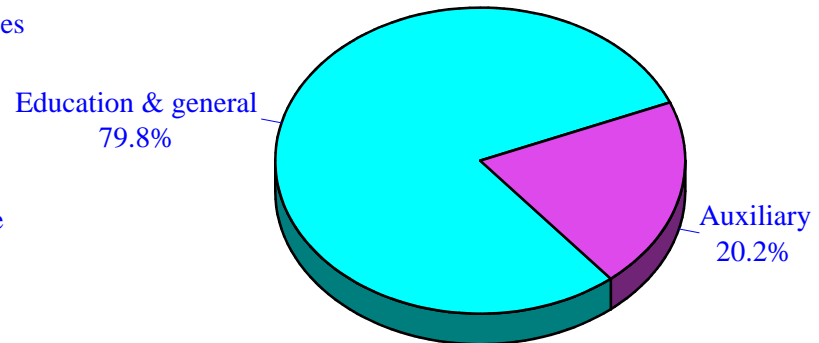
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GREAT LAKES CHRISTIAN COLLEGE YEARS ENDED JUNE 30, 2006 AND 2005

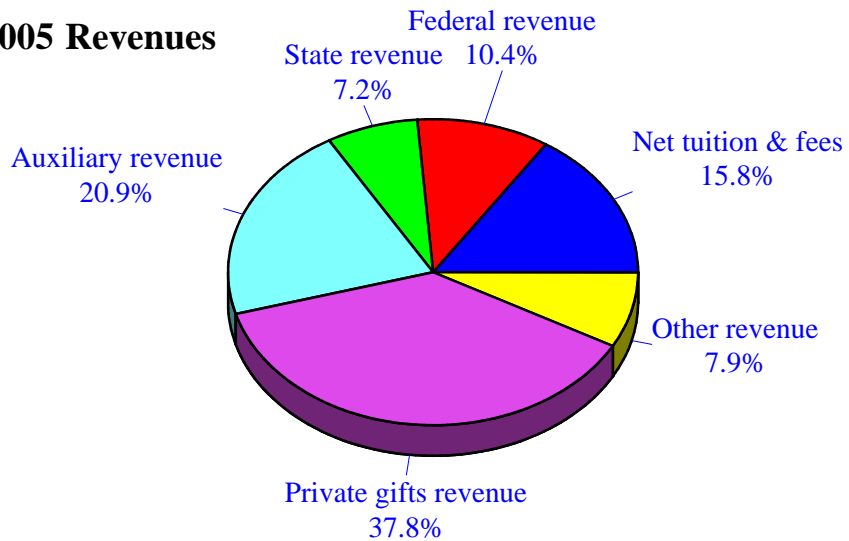
2006 Revenues



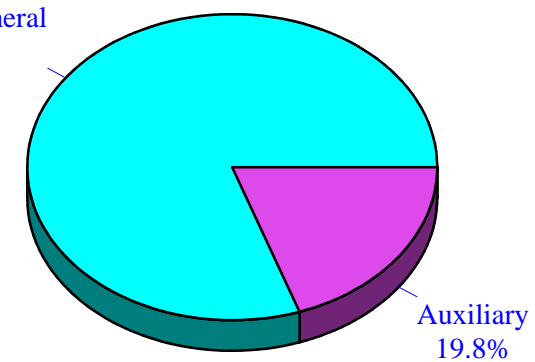
2006 Expenses



2005 Revenues



2005 Expenses





Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Raack
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Great Lakes Christian College
Lansing, Michigan

August 1, 2006

We have audited the accompanying statements of financial position of Great Lakes Christian College as of June 30, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Great Lakes Christian College as of June 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2006, on our consideration of Great Lakes Christian College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Maner, Costerisan & Ellis, P.C.

GREAT LAKES CHRISTIAN COLLEGE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 216,334	\$ 242,163
Investments	276,490	227,481
Revenue receivable, less allowance of \$15,000 in 2006 and \$30,000 in 2005	9,152	27,984
Due from governmental units	52,815	3,151
Inventories	30,143	34,577
Prepaid expenses	<u>4,606</u>	<u>4,435</u>
TOTAL CURRENT ASSETS	<u>589,540</u>	<u>539,791</u>
OTHER ASSETS:		
Property and equipment, net of depreciation	3,202,790	2,950,867
Cash and cash equivalents - long-term	1,766	10,920
Investments - annuities	159,786	96,498
Investments - long-term	<u>295,843</u>	<u>267,160</u>
TOTAL OTHER ASSETS	<u>3,660,185</u>	<u>3,325,445</u>
TOTAL ASSETS	<u><u>\$ 4,249,725</u></u>	<u><u>\$ 3,865,236</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 59,906	\$ 135,119
Accounts payable	111,649	13,107
Accrued payroll and related	6,120	14,180
Accrued interest payable		2,500
Student deposits	<u>41,954</u>	<u>73,400</u>
TOTAL CURRENT LIABILITIES	219,629	238,306
LONG-TERM DEBT, less current portion	810,882	706,802
ANNUITY LIABILITY	<u>130,601</u>	<u>74,804</u>
TOTAL LIABILITIES	<u>1,161,112</u>	<u>1,019,912</u>
NET ASSETS:		
Unrestricted:		
Undesignated	2,169,496	1,986,008
Temporarily restricted	664,246	622,822
Permanently restricted	<u>254,871</u>	<u>236,494</u>
TOTAL NET ASSETS	<u>3,088,613</u>	<u>2,845,324</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,249,725</u></u>	<u><u>\$ 3,865,236</u></u>

See notes to financial statements.

**GREAT LAKES CHRISTIAN COLLEGE
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2006 AND 2005**

	2006				2005			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
REVENUES, GAINS, LOSSES AND OTHER SUPPORT:								
Gross tuition and fees	\$ 1,530,887	\$	\$	\$ 1,530,887	\$ 1,437,050	\$	\$	\$ 1,437,050
Less: Scholarships	407,353			407,353	433,688			433,688
Governmental grants and awards	582,043			582,043	526,984			526,984
Net tuition and fees	541,491			541,491	476,378			476,378
Federal grants and contracts		331,641		331,641		312,454		312,454
State grants and contracts		250,945		250,945		215,402		215,402
Private gifts, grants and contracts	738,033	371,736	18,377	1,128,146	740,931	359,169	39,622	1,139,722
Investment income	1,901	37,236		39,137	2,280	58,491		60,771
Sales and services of auxiliary activities	611,765			611,765	628,669			628,669
Other sources	267,095			267,095	178,590			178,590
Net assets released from restrictions	950,134	(950,134)			718,972	(718,972)		
 TOTAL REVENUES, GAINS, LOSSES AND OTHER SUPPORT	 3,110,419	 41,424	 18,377	 3,170,220	 2,745,820	 226,544	 39,622	 3,011,986
EXPENSES AND TRANSFERS:								
Education and general	2,337,024			2,337,024	2,270,904			2,270,904
Auxiliary	589,907			589,907	561,651			561,651
 TOTAL EXPENSES	 2,926,931			 2,926,931	 2,832,555			 2,832,555
 CHANGE IN NET ASSETS	 183,488	 41,424	 18,377	 243,289	 (86,735)	 226,544	 39,622	 179,431
 NET ASSETS, beginning of year	 1,986,008	 622,822	 236,494	 2,845,324	 2,072,743	 396,278	 196,872	 2,665,893
 NET ASSETS, end of year	 \$ 2,169,496	 \$ 664,246	 \$ 254,871	 \$ 3,088,613	 \$ 1,986,008	 \$ 622,822	 \$ 236,494	 \$ 2,845,324

See notes to financial statements.

GREAT LAKES CHRISTIAN COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
INCREASE (DECREASE) IN CASH:		
Cash flows from operating activities:		
Change in net assets	\$ 243,289	\$ 179,431
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	209,702	173,084
Gain on sale of fixed assets	(93,392)	
Revenue receivable	18,832	32,224
Inventories and prepaid expenses	4,263	55
Due from governmental units	(49,664)	11,405
Accounts payable	98,542	(2,859)
Accrued payroll and related	(8,060)	2,344
Student deposits	(31,446)	21,844
Annuity liability	23,968	129
Accrued interest	(2,500)	
Unrealized gain/loss on investments	(18,519)	(29,062)
Total adjustments	<u>151,726</u>	<u>209,164</u>
Net cash provided by operating activities	<u>395,015</u>	<u>388,595</u>
Cash flows from investing activities:		
Purchase of property and equipment	(526,048)	(390,645)
Purchase of investments	(131,600)	(40,500)
Proceeds from land contract	157,814	
Proceeds from sale of investments	37,823	36,764
Net cash used by investing activities	<u>(462,011)</u>	<u>(394,381)</u>
Cash flows from financing activities:		
Proceeds from issuance of long-term and short-term debt	930,000	735,914
Payments on long-term debt	(901,133)	(665,910)
Annuity contributions received	36,353	4,235
Permanently restricted endowment contributions	(19,529)	(54,428)
Annuity liability receipts	(4,524)	(1,396)
Net cash provided by financing activities	<u>41,167</u>	<u>18,415</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(25,829)	12,629
CASH AND CASH EQUIVALENTS, beginning of year	<u>242,163</u>	<u>229,534</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 216,334</u>	<u>\$ 242,163</u>
CASH PAID FOR INTEREST	<u>\$ 57,949</u>	<u>\$ 40,061</u>

See notes to financial statements.

**GREAT LAKES CHRISTIAN COLLEGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

- A. Basis of accounting - The College utilizes the accrual method of accounting, which recognizes income when earned and expenses when incurred. Donor-restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Monies classified as unrestricted include all funds over which the College has discretionary control and net assets released from restrictions. The temporarily restricted classification is comprised of amounts arising from federal and state grants as well as private gifts for scholarships and other needs of the College. Permanently restricted net assets consist of assets to be held indefinitely for scholarship purposes and the related investment income is recorded in the temporarily restricted fund.

- B. Cash and Cash Equivalents

Cash and cash equivalents consist of cash accounts and money market funds.

- C. Investments

Investments in equity securities with readily determinable fair values are reported at fair value with realized and unrealized gains and losses included in the statement of activities.

- D. Revenue Receivable

Revenue receivable arises primarily from student tuition payments. Revenue receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to revenue receivable. Changes in the valuation allowance have not been material to the financial statements. Students come from various geographical areas.

- E. Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consist of bookstore and cafeteria supplies held for consumption and resale.

- F. Property, Equipment and Depreciation

Property and equipment is stated at cost or market value at date of gift. Depreciation is computed over the estimated useful life of the assets on the straight-line method.

GREAT LAKES CHRISTIAN COLLEGE NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (Concluded)

G. Capital Outlay and Maintenance Projects

Capital outlay projects meeting the following criteria are recorded as capital additions of the unrestricted fund:

1. New buildings and additions to buildings;
2. Renovation, remodeling or modernization projects resulting in a basic change in the use or occupancy of existing facilities and replacement of major equipment items, including vehicles;
3. Acquisition of an existing facility;
4. Land acquisition and site projects exceeding \$10,000; and
5. Individual amounts exceeding \$1,000.

H. The costs of providing various programs and other activities have been summarized on a functional basis in the Schedule of Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefits.

NOTE 2 - NATURE OF THE ORGANIZATION, RISKS AND UNCERTAINTIES

Great Lakes Christian College was founded September 21, 1949 and incorporated March 2, 1972. The College has been located at its current location since 1972 and is an independent post-secondary college producing servant-leaders for the Kingdom of God. The College's affairs are managed by its Board of Trustees, which determine policies and officers.

The College is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments, which potentially subject the College to concentrations of credit risk consist principally of cash and revenue receivable. The College's cash is deposited with high-credit-quality financial institutions. Although such cash balances exceeded the federally insured limits at certain times during the year and at year-end they are, in the opinion of management, subject to minimal risk. Credit risk with respect to revenue receivable is limited because the majority of revenue receivable is due from governmental units.

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**GREAT LAKES CHRISTIAN COLLEGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - TAX STATUS

The College is exempt from federal income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code, except for tax on “unrelated business income,” as defined. No provision for income taxes is required.

NOTE 4 - INVESTMENTS

The fair value of investments is estimated based on quoted market prices for those of similar investments.

Investments at June 30 consist of the following:

	2006			2005		
	Cost	Fair value	Unrealized gain	Cost	Fair value	Unrealized gain
Primarily equity mutual funds	<u>\$628,894</u>	<u>\$732,119</u>	<u>\$ 103,225</u>	<u>\$506,433</u>	<u>\$591,139</u>	<u>\$ 84,706</u>

Investment income consists of the following:

	2006			2005		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Interest and dividends	\$ 2,261	\$ 18,357	\$ 20,618	\$ 884	\$ 30,825	\$ 31,709
Unrealized gain (loss)	<u>(360)</u>	<u>18,879</u>	<u>18,519</u>	<u>1,396</u>	<u>27,666</u>	<u>29,062</u>
	<u>\$ 1,901</u>	<u>\$ 37,236</u>	<u>\$ 39,137</u>	<u>\$ 2,280</u>	<u>\$ 58,491</u>	<u>\$ 60,771</u>

NOTE 5 - RETIREMENT PROGRAM

The College has a defined contribution 401(k) retirement plan that covers substantially all full time employees who meet certain requirements for age and length of employment. The College may elect to make discretionary contributions in addition to the contributions made by the employees themselves. The College contributed \$45,174 and \$32,727 in 2006 and 2005, respectively.

**GREAT LAKES CHRISTIAN COLLEGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PROPERTY AND EQUIPMENT

Major classes of property and equipment at June 30 consist of the following:

	<u>2006</u>	<u>2005</u>
Work in process	\$ 160,856	\$ 72,816
Land and improvements	542,864	515,910
Buildings and improvements	3,556,020	3,326,811
Furniture and equipment	1,140,321	1,108,742
Automobiles	78,171	63,154
Library books	<u>553,998</u>	<u>511,116</u>
	6,032,230	5,598,549
Less accumulated depreciation	<u>2,829,440</u>	<u>2,647,682</u>
	<u>\$ 3,202,790</u>	<u>\$ 2,950,867</u>
Depreciation	<u>\$ 209,702</u>	<u>\$ 173,084</u>

NOTE 7 - LINE OF CREDIT

The College obtained a bank line of credit for \$200,000 with interest at prime (8.25%). The line was secured by substantially all of the assets of the College except for real property. At June 30, 2006 and 2005 the outstanding balance was \$0 for each year respectively.

**GREAT LAKES CHRISTIAN COLLEGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - LONG-TERM DEBT

Long-term debt consists of the following obligations:

	<u>2006</u>	<u>2005</u>
Note payable - trustee, annual interest payments at 10%, unsecured, due on demand.	\$ -	\$ 50,000
5 year term note - bank, dated July 14, 2003 (original amount \$135,000), payable \$2,250 per month plus interest at prime (8.25% at June 30, 2006), collateralized by property and equipment at the College. Note was paid in full on July 8, 2005.	-	83,250
Mortgage loan - bank, dated July 8, 2005, original amount \$930,000, payable \$10,131 per month including interest at prime (8.25% and 6.25% at June 2006 and 2005, respectively) less .75%, collateralized by property and equipment of the College. Final maturity July 2010.	870,788	702,004
Note payable - bank, payable \$417 per month including interest at prime (8.25% at June 30, 2006) collateralized by automobile. Note was paid in full in March 2006.	-	6,667
	870,788	841,921
Less current portion	<u>(59,906)</u>	<u>(135,119)</u>
	<u><u>\$ 810,882</u></u>	<u><u>\$ 706,802</u></u>

Debt matures as follows:

Year ending June 30,	
2007	\$ 59,906
2008	64,396
2009	69,223
2010	74,412
2011	602,851
	<u><u>\$ 870,788</u></u>

**GREAT LAKES CHRISTIAN COLLEGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - LONG-TERM DEBT (Concluded)

On July 3, 2006, the College refinanced the terms of its mortgage loan payable to a bank. The refinanced loan payable, due in monthly installments of \$11,796 through July 2011 with a prime rate less .75%, replaced a mortgage loan payable due in monthly installments of \$10,131 through 2010 with a prime rate less .75%.

Interest expense for the years ended June 30, 2006 and 2005 was \$55,449 and \$40,061, respectively.

NOTE 9 - CHARITABLE GIFT ANNUITIES

The College has entered into several Charitable Gift Annuity Agreements whereby the donor contributes assets for distributions for a specified period of time to the donor or other beneficiaries. At the end of the specified time, the remaining assets are available for the College's use. Assets received are recorded at fair value on the date the agreement is recognized, and a liability equal to the present value of the future distributions are recorded. The difference between the fair value of the assets received and the liability to the donor or other beneficiaries is recognized as contribution revenue. On an annual basis, the College revalues the liability based on applicable mortality tables and discount rates, which vary from 5.6% to 8.5%.

Management believes the current portion of their liabilities is immaterial and has chosen to present the entire amount as long-term.

NOTE 10 - LEASES

The College leases copiers. Lease payments amounted to \$18,804 and \$13,842 for the years ended June 30, 2006 and 2005, respectively.

Future minimum lease payments required under such leases are as follows:

Year ending June 30,	
2007	\$ 16,242
2008	4,962
	<u>\$ 21,204</u>

**GREAT LAKES CHRISTIAN COLLEGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - CONTINGENCIES

The College participates in various student financial aid programs, which are subject to audit by grantor agencies. Any disallowed claims, including amounts already used may constitute a liability to the College. In the opinion of management, the liability, if any, would be immaterial.

NOTE 12 - RESTRICTED NET ASSETS

The College reports gifts as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

The College reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donations to be held indefinitely are reported as permanently restricted. The income from these assets is reported in the temporarily restricted fund. When the scholarships are paid, the income is released to the unrestricted fund.

NOTE 13 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Purposes restrictions accomplished:

	2006	2005
Scholarships	\$ 25,450	\$ 23,092
General administration and student services	672,074	637,719
Equipment acquired and placed in service	252,610	58,161
	<u>\$ 950,134</u>	<u>\$ 718,972</u>

**GREAT LAKES CHRISTIAN COLLEGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 14 - RESTRICTED NET ASSETS

Net assets at the end of the year at June 30 consist of the following:

	<u>2006</u>	<u>2005</u>
Temporarily restricted:		
Donor specified gifts available	\$ 610,063	\$ 568,664
Endowment income available for scholarships	<u>54,183</u>	<u>53,582</u>
	<u>\$ 664,246</u>	<u>\$ 622,246</u>
Permanently restricted:		
Original endowment contributions	<u>\$ 254,871</u>	<u>\$ 236,494</u>

NOTE 15 - FUNCTIONAL EXPENSES

Included in education and general expenses are management and general expenses of approximately \$900,000 and \$846,000 for 2006 and 2005, respectively, which includes fundraising expenses of approximately \$225,000 and \$211,000 for 2006 and 2005, respectively.

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

Our report on our audit of the basic financial statements of Great Lakes Christian College for the year ended June 30, 2006 appears on page 1. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information on pages iii, and 14 through 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mayer, Costeniser & Ellis, P.C.

Certified Public Accountants

Lansing, Michigan
August 1, 2006

GREAT LAKES CHRISTIAN COLLEGE
SCHEDULES OF EXPENSES
YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Education and general:		
Instruction and academic support:		
Instruction	\$ 619,662	\$ 614,114
Music	1,965	4,084
Christian service	4,026	3,908
Chapel	351	1,735
Academic administration	124,448	118,594
Registrar	44,095	47,881
Choir	7,762	6,277
Ensembles	2,193	2,588
Madrigals	19,758	18,795
Library	85,154	94,066
Dean of students	66,459	57,038
Retention and remediation	5,179	6,150
Depreciation	44,111	42,912
	<u>1,025,163</u>	<u>1,018,142</u>
Total instruction and academic support		
Support services:		
Convocation	7	18
Orientation	4,361	4,811
Honors chapel	315	159
Promise	9,847	10,940
Misseo Dei	3,167	
Commencement	721	908
Athletics	39,234	42,648
Student activities	54,227	74,786
	<u>111,879</u>	<u>134,270</u>
Total support services		
General and administrative:		
Executive and business offices	472,479	445,692
	<u>52,809</u>	<u>47,212</u>
Financial aid		

GREAT LAKES CHRISTIAN COLLEGE
SCHEDULES OF EXPENSES
YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Education and general (Concluded):		
General and administrative: (Concluded):		
Institutional advancement:		
Fund raising:		
Public relations	\$ 139,572	\$ 137,282
Alumni relations	58,022	57,206
Donor banquets	3	1
Phoneathon	577	1,860
Estate planning	12,635	967
Golf outing	6,247	7,337
NACC	3,144	2,647
NMC	1,630	2,104
MCC	2,817	1,498
	<u>224,647</u>	<u>210,902</u>
Total fund raising	224,647	210,902
Admissions	<u>150,225</u>	<u>142,143</u>
Total institutional advancement	<u>374,872</u>	<u>353,045</u>
Total general and administrative	<u>900,160</u>	<u>845,949</u>
General institutional:		
Internet service	16,995	14,966
Retirement administration	3,204	2,510
Telephone/internet	7,033	10,753
Insurance	31,160	33,197
General maintenance	123,502	107,215
Interest expense	55,449	40,061
Depreciation	62,479	63,841
	<u>299,822</u>	<u>272,543</u>
Total general institutional	299,822	272,543
Total education and general	<u>2,337,024</u>	<u>2,270,904</u>

GREAT LAKES CHRISTIAN COLLEGE
SCHEDULES OF EXPENSES
YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Auxiliary:		
Bookstore	\$ 96,561	\$ 111,538
Cafeteria	244,962	247,336
Administrative building	60,157	55,125
Men's residence	20,329	19,410
Women's residence	23,419	23,669
Family housing	24,545	19,715
House	1,909	3,741
Depreciation	103,113	66,331
Campus beautification	<u>14,912</u>	<u>14,786</u>
Total auxiliary	<u>589,907</u>	<u>561,651</u>
TOTAL EXPENSES	<u><u>\$ 2,926,931</u></u>	<u><u>\$ 2,832,555</u></u>

GREAT LAKES CHRISTIAN COLLEGE
ADDITIONAL REPORTS REQUIRED BY
OMB CIRCULAR A-133
YEAR ENDED JUNE 30, 2006

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Great Lakes Christian College
Lansing, Michigan

August 1, 2006

We have audited the financial statements of Great Lakes Christian College as of and for the year ended June 30, 2006, and have issued our report thereon dated August 1, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Great Lakes Christian College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Board of Trustees
Great Lakes Christian College
Lansing, Michigan

August 1, 2006

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Great Lakes Christian College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Great Lakes Christian College in a separate letter dated August 1, 2006.

This report is intended solely for the information and use of the board of trustees, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Mamer, Costeniser & Ellis, P.C." in a cursive script.

Certified Public Accountants



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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
Great Lakes Christian College
Lansing, Michigan

August 1, 2006

Compliance

We have audited the compliance of Great Lakes Christian College with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2006. Great Lakes Christian College's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Great Lakes Christian College's management. Our responsibility is to express an opinion on Great Lakes Christian College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Great Lakes Christian College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Great Lakes Christian College's compliance with those requirements.

In our opinion, Great Lakes Christian College complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

August 1, 2006

Internal Control Over Compliance

The management of Great Lakes Christian College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Great Lakes Christian College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Great Lakes Christian College as of and for the year ended June 30, 2006, and have issued our report thereon dated August 1, 2006. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the board of trustees, management and federal awarding agencies and is not intended and should not be used by anyone other than these specified parties.



Certified Public Accountants

GREAT LAKES CHRISTIAN COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal grantor/pass-through grantor/ Program title	Federal CFDA number	Pass- through grantor's number	Current year expenditures
U.S. Department of Education:			
Federal Pell Grant Program	84.063	N/A	\$ 282,680
Federal Supplemental Education Opportunity Grant	84.007	N/A	21,522
Federal Work Study Program	84.033	N/A	<u>27,439</u>
TOTAL FEDERAL EXPENDITURES			<u><u>\$ 331,641</u></u>

See Note 3 on page 6 regarding Federal Family Education Loans Program.

GREAT LAKES CHRISTIAN COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

NOTES:

1. Basis of presentation - The accompanying schedule of expenditures of federal awards includes the grant activity of Great Lakes Christian College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.
2. The Student Financial Aid Cluster, CFDA #84.063, #84.007, #84.033 and #84.032, was audited as the major program.
3. The College administers the Federal Family Education Loans (FFEL) program (CFDA # 84.032). During fiscal year 2005-2006 students received \$773,269 of new FFEL loans. These funds were received directly by the students of the College and any interest or other costs related to these loans were received directly by the lender not Great Lakes Christian College. Accordingly, these costs have not been included on the Schedule of Expenditures of Federal Awards.

**GREAT LAKES CHRISTIAN COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified: _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Type of auditors' report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.063, 84.007, 84.033, 84.032	Student Financial Aid Cluster

Dollar threshold used to distinguish between type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Findings

None noted.

Section III - Federal Award Findings and Questioned Costs

None noted.

**GREAT LAKES CHRISTIAN COLLEGE
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

There were no prior audit findings for the year ended June 30, 2005.



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August 1, 2006

To the Board of Trustees
Great Lakes Christian College
Lansing, Michigan

In planning and performing our audit of the financial statements of Great Lakes Christian College for the year ended June 30, 2006, we considered the College's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated August 1, 2006, on the financial statements of Great Lakes Christian College.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various College personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Prior Year Comments

Improve Segregation of Cash Duties

Internal controls are designed to safeguard assets and help or detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties. Although the size of the College's accounting staff prohibits complete adherence to this concept, we believe that the following practices could be implemented to improve existing internal control without impairing efficiency:

- Mail should be opened by an employee not responsible for accounting, such as the receptionist or the president's secretary. This individual can create an initial listing of receipts for the day and stamp all checks for 'deposit only' before forwarding all materials received to the accounting staff for postings to the general ledger and detail customer accounts.

Status

Becky Anderson prepares the initial listing of checks received and takes deposits to the bank. Cash receipts for gifts are received by the Advancement Coordinator who then gives the checks to Becky to deposit; no initial listing of checks is made of gift receipts. Mail should come into a central location and be opened by an individual independent of the cash receipt process. This individual should make a listing of all cash and checks received daily, so management can verify all cash received is deposited.

Establish a Threshold for Dual Signatures on Checks

All checks are signed by the vice president of finance and operations. Check signers include the president, the vice president of finance and operations, and the director of development. We recommend that you establish a disbursement threshold in which all disbursements over a specific amount would require two signers. This would allow additional oversight over significant disbursements.

Status

Management has decided not to establish a threshold for dual signatures.

Blank Checks

The manager of Payroll and Benefits prepares all checks for payment and has access to the blank check stock.

Status

We recommend someone independent of the accounts payable process hold the blank check stock in a locked drawer. When a check run is being prepared the manager of payroll and benefits could request checks from the independent person. The custodian of the checks should also keep track of the check sequence between check runs.

Update All Agreements to Current IRS Rates

Some contracts do not reference IRS rates of reimbursement. We recommend that all agreements be reviewed and revised to reflect a general reference to the IRS rate instead of a specific amount.

Status

Updated contracts reference the current IRS rate of \$.45/mile, we recommend future contracts make reference to the general IRS, to account for rate fluctuations through the year.

Current Year Comments

Petty Cash

Personal checks are currently being cashed for student employees as a convenience for these employees. The petty cash cashier, however, does not restrictively endorse these checks upon receipt. We suggest that this is not the intended purpose of the corporate petty cash fund and this situation should be reviewed regarding possible alternatives for the convenience of the employees. In any event, all checks received should be immediately restrictively endorsed to prevent possible misappropriation.

In addition we recommend the petty cash account be periodically reconciled to actual cash on hand to ensure all disbursements are being accurately accounted for.

Investment Statements

The College is currently receiving investment statements noting the activity during the period and the market value, however, the cost of the related investments is not contained on the statements. The College should request that cost of investments be included on the monthly statements so the realized/unrealized gain/loss on investments can be recorded monthly.

Cash Management -Federal Awards

The Michigan Department of Education has recently been notified that it, along with all other states, has misinterpreted the advance provision of the Cash Management Improvement Act (CMIA). The United States Department of Education started monitoring and auditing CMIA compliance and is notifying sub-recipients that advances are limited to three days cash needs. In other words, funds must be spent by the district within 72 hours of being drawn down from the USDE GAPS system. Because of this new awareness, the department will no longer allow 30-day cash advances for ongoing programs during fiscal year 2006/2007. Thirty-day cash advances may be permitted for new one-time federal grant programs at the discretion of program management.

We recommend the College request funds on a reimbursement basis in order to ensure compliance with the revised cash management interpretation.

New Auditing Standards

Recently, 10 new auditing standards have been released and will become effective over the College's next two fiscal years. In reviewing the new standards, we do not believe, for the most part, they will have a significant impact on our overall audit approach. However, two of the new standards may directly impact the College beginning with the June 30, 2007 year-end.

One of the new standards revises the dating of the auditors' report. Under the old standards, the auditors' report was dated the last day of fieldwork. The new standards define the date as the date adequate audit evidence is obtained. Adequate audit evidence is now being interpreted as including the client's approval of draft financial statements. Although the dating of the report may seem trivial to non-auditors, it does have an impact on auditors' subsequent events work (June 30 through date of the auditors' report). The impact to the College could be if there was a long period of time needed to resolve certain open issues. This would extend the dating of the auditors' report and increase the amount of work we need to complete our subsequent events work.

Another standard effective for the June 30, 2007 year-end is related to our communications with the client. The new standard retained the definition of a "material weakness" and added two new categories of deficiencies "significant deficiency" and "control deficiency". Certain situations were included as examples of strong indicators of significant deficiencies and possibly material weaknesses. One of the situations is the client is unable to write financial statements, including the footnotes, in accordance with generally accepted accounting principles. Historically, we have prepared the financial statements and footnotes for the College. We will have to evaluate the College's ability to produce appropriate financial statements and footnotes and, accordingly, if any control deficiencies exists.

To the Board of Trustees
Great Lakes Christian College
Lansing, Michigan

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August 1, 2006

This report is intended solely for the information and use of Great Lakes Christian College, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Mama, Costenaro & Ellis, P.C.



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August 1, 2006

To Board of Trustees
Great Lakes Christian College
Lansing, Michigan 48911

We have audited the financial statements of Great Lakes Christian College for the year end June 30, 2006, and have issued our report thereon dated August 1, 2006. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Great Lakes Christian College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Great Lakes Christian College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Great Lakes Christian College's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major programs for the purpose of expressing an opinion on Great Lakes Christian College's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Great Lakes Christian College's compliance with those requirements.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Great Lakes Christian College are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2006. We noted no transactions entered into by Great Lakes Christian College during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the functional expense allocation and the allowance for doubtful accounts.

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Great Lakes Christian College's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgement certain adjustments such as adjusting allowance for doubtful accounts indicated matters that had a significant effect on the College's financial reporting process.

5. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

6. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Great Lakes Christian College's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

8. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Trustees, management and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Mayer, Costeniser & Ellis, P.C.